



**GULF COOPERATION COUNCIL :
ITS ORIGINS, ORGANIZATION AND POLITICS**

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This is to certify that the work
"Gulf Cooperation Council : Its Origins,
Organization and Politics" being submitted
by Mr. Mohd. Gulrez, as M.Phil Dissertation,
has been completed under my supervision and
is suitable enough for the submission.


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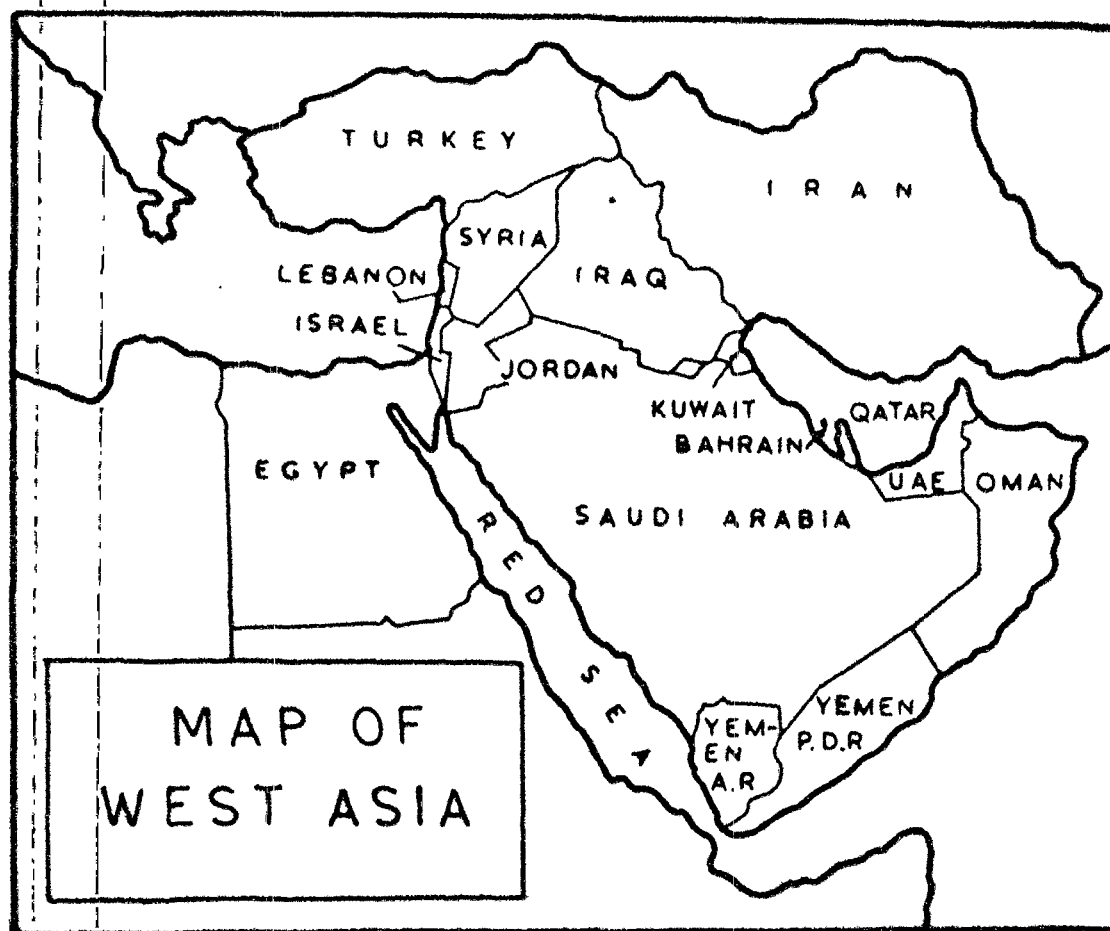


FIG. 1

PREFACE AND ACKNOWLEDGEMENTS

Over the last decade the view on the future availability of oil resources and the speed with which these can be made available has changed; as has the ownership of world's reserves and thus the likelihood of their being produced in the short to medium term; and there have also been changes in the rate at which oil is being used. The consequences of the relationship between these fundamental aspects of the future of oil figured in geo-politics, are therefore also subject to radical change. The present dissertation on Gulf Co-operation Council represent a preliminary attempt to describe the way in which resources, additions to reserves and oil use inter-relate at the world level and results for the future of oil, if a wide range of values is used for the variables involved.

A realistic examination of the oil problems can not be adequately studied with the conventional economic tools and therefore necessitates, a more broad gauged system approach. For a proper understanding of oil politics, the oil system as a whole with its various elements should be studied. It is what the first chapter

intends to do. Questions of its supply and price are central to the prospects for the over all development of the oil rich, but unsettled region and for the welfare and security of its people.

The second chapter deals with the establishment of the organisation of Gulf Co-operation Council, as a major land mark in the history of Arab East. A study of its formation therefore would indicate the depth and dimensions to this rapid but mature political response to bring about unity among the Gulf States.

The third chapter is meant to study the questions, how to reconcile the different foreign policies of the members of the Co-operation Council- a more difficult side as it is just the beginning of a process and a still necessity in the Gulf.

The fourth chapter details the future of oil as increasingly influential in its new stage and a rapid attempt to diversify the gulf industries to generate a balanced economic structure, and finally fifth chapter attempts to evaluate the impact of oil crisis; the future of oil as increasingly influential in determining major political issues at the international level, including the questions of war and peace and try to delineate the shape of things to come.

This study can not and does not claim to be comprehensive or conclusive. It looks at the kaleidoscopic situation of oil and portrays a snap of the picture at one point of time. The dissertation does not attempt to give the answers; it endeavours only to raise right questions. It is an opening statement in generating further discussion through G.C.C. on the evergrowing problems of the region. This is an outsiders view of the crisis and development and all the comments here are personal.

It would be impossible to pay tribute by name to all those who have unwittingly helped me to prepare this monograph, but I should like to take this opportunity of expressing my gratitude to Dr. S.A.H. Bilgrami, Chairman, Department of Political Science, without whose supervision, assistance and whole hearted co-operation I would have found it difficult to begin. I am also indebted to Professor M.A. Saleem Khan, Director, Centre of West Asian Studies for encouragement and timely suggestions that have greatly eased the task of writing. My sincerest thanks are also due to Mr. Ahmad Saeed Khan, Documentation Officer, and the staff of Library of the Centre of West Asian Studies, Aligarh, India International Centre and Arab Cultural Centre, New Delhi, for facilities and material on the topic concerned.

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The deficiencies and misinterpretations that remains are entirely my own.

Mohammad Gulrez
MOHAMMAD GULREZ

CHAPTER I

The Arab Gulf : BETWEEN A NEW ORDER AND CHAOS

The great potential gains to middle east countries¹ from the increased prices of crude oil is in itself reason enough for its security and have naturally caused a spate of comment on how the increased revenue will be invested. This may not be the case with oil discoveries in the USA or the USSR or the North Sea or Norway, but it is the case with this region. The oil appeared in massive quantities in a poor, backward, very under populated area. This in itself led to all the talk about the power vacuum & who would fill it, naturally from outside; which made the clash of interest not local but global. Even with the process of development whether it is controlled or confused and unprepared for, the people of the area are not left alone to sortout their problem & learn from their own mistakes, outside powers are jalous of there sudden treasure. Constantly interfering, pressing with an unveiled grudge on those who lived long centuries in poverty.

1. The Middle East, for oil statistical purposes includes, in this study, the following countries. Turkey, Syria, Lebanon, Jordan, Iran, Iraq, Saudi Arabia, The Persian Gulf (principality) and Egypt. In the general discussion of the oil issues and problems Libya and Algeria are also included.

To link the joint cooperation, a charter for the establishment of a United Arab shipping company (UASC) has been signed by the six gulf state on 19th January 1976 which started operating in August 1976 in Kuwait with an authorised capital of KD 500 million divided into 50 million shares of KD 10 each member country.

The objectives of the new company are to

- a) Run regular shipping services between Arab and International sea ports.
 - b) Engage in all shipping activities it-self or on behalf of other parties.
 - c) Acquire, sell or operate all kinds of vessels.⁹
- Not only this the Arab gulf organization for

industrial consulting (AGCIC) was established with Iraq in 1976 in Doha, has played a major role in coordinating industrial projects in the area and also in carrying out consulting work for major projects, instead of international consulting firms.¹⁰

8. Middle East Economic Survey 21 November 1975 Cyprus. P-A10.

9. Middle East Economic Survey 23 and 30 January 1976 Cyprus. PP. A7-A11.

10. Middle East Economic Survey 5th March 1976 Cyprus.

MEES - A weekly review of oil, Finance & Banking and Political developments. Pub. middle East Petroleum & Economic Publications, Nicosia, Cyprus.

The Arab countries need to meet their economic development requirements coupled with so many factors & problems, shared by the states & to sustained the challenges ahead. The representatives of the seven Arab States including Iraq signed an agreement on 5 October 1976 in Kuwait, providing for the establishment of a Bureau for the association of Gulf ports, to be head quartered in Dammam. The agreement stipulates that the main aim of the bureau for the association of the gulf ports are as follows:

- a) Studying ways of developing the ports of member states;
- b) Conducting research & undertake studies on ports & related problems;
- c) Coordinating port activities among the member states with regard to operations, development of services and the supply of equipment;
- d) Attending international & regional conferences and
- e) Preparing training programmes for the ports, administrative & technical cadres.¹¹

As the gulf states industrilize they are concerned with the creation of new markets and new forms of cooperation on a global scale. In an address delivered by Mr. Abd-al Rahman al Atiqi, the Kuwait Minister of finance in the cultural seminar of the Arab

11. Middle East Economic Survey 18th October 1976
Cyprus p-7

League on 1st November 1977, entitled 'Economic Integration in Present Day Arab Life; he raised two inter related points of fundamental importance which both pointed towards the possibility of the creation of a distinctive economic system in the Arab world.

The 1st involved the need for participation of the private sectors in joint Arab projects which would require, above all, the evolution of a new legal frame work protecting the investments of private individuals "It is unacceptable", he declared, "that one basic & essential element of economic activity - i.e. in the private sector the individual initiative, should not be absent from the campaign for Arab economic integration".

The second point was more far reaching in the long term, namely the need to re-examine economic prospects, Imported whole-sale from the west in the light of the canonical legal provisions of Islam with reference to the question "is it not right for Muslims to find channels for investment which do not conflict with their benefits". He pointed out "Islam is not a faith that stands in the way of economic growth. We do not need to abandon our values & traditions at every obstacle we meet. Instead we are called upon to transform it into a creative power and

a source of strength,¹²

It is on this background, the foreign minister of six gulf oil states meeting, in Riyadh on 4th February 1981 decided to establish a permanent council for gulf cooperation with the aim of safeguarding the stability of the area, according to the official gulf news agency, It said that the ministers - those heads of state had held a meeting on gulf security on the side line of the Islamic summit on 9th Jan. in Taif in last week of January 1981 - had agreed to setup a summit level council of rulers, a council of foreign minister and a permanent secretariat, And to hold a follow up meeting in Oman on 8 March 1981 to approve final agreement.¹³

The moves appear at the stage to stem from a growing feeling that greater cooperation is needed between the Arab States of the gulf if they are to ensure their own security economic & political i.e. regional security, wriggling on the opec & the boiling strategic situation. The GCC's contention that

12. Middle East Economic Survey 28th November 1981
Cyprus pp. 6-9

13. Middle East Economic Survey 9th February 1981
Cyprus p. 3.

major threat to regional security came very much from the unresolved Arab, -Israel conflict, was given added point by the Soviet intervention in Afghanistan, the war between Iran & Iraq, the continuing internal stability in Iran and the arrival of the president Reagan's cold war strategic mentality on the global scene. All combined to give the final impulse to the GCC's establishment. The UAE leader of planning, expressed the hope that new organization would offer its member economic & strategic unity & regional stability.

The step finally came up after U.S. President Mr. Ronald Reagan had started his belief that American ground troops should be stationed in the middle east to deter Soviet ambitions and safeguard oil supplies.¹⁴

14. Speaking to reporters on 2nd February 1981, Mr. Reagan said, "what I think is needed as we refurbish our capability, is a presence in the Middle East what is meant by presence is that we are there enough to know, and for the Soviets to know, that if they made a reckless move, they would be risking a confrontation with the United States, we are doing it with the movement with the Navy in the Indian Ocean but I think we need a ground presence too". The American Defence Secretary Mr. Casper Weinberger, followed this on Feb. 3, 1981 by stating - Washington would give "Sympathetic consideration" to any request from Israel or Egypt for U.S. troops to be stationed on their soil, though he indicated that such requests were unlikely. This assessment was confirmed when an Israeli foreign ministry spokesman said on 5th Feb. that Israel had always rejected the presence of foreign military forces on its soil, though it was willing under certain circumstances & specific conditions, to grant the United States technical & military

The decision to form the GCC thus highlights a curious contradiction. None of the countries whom the U.S. is so zealously avowing to protect has shown any eagerness to rush into an American embrace; obviously they are acutely aware of the risk of a protective embrace becoming a stronghold. The UAE minister of petroleum & mineral resources Dr. Mansour bin Zayed - Al Otaiba, has revealed in an interview with the London observer published on 15th February 1981 that the newly created six nation council for gulf cooperation (GCC) is considering a three point strategy to tighten security in the gulf.

Firstly, according to Dr. Otaiba the six states (Saudi Arabia, Kuwait the UAE Qatar, Bahrain and Oman) intend to improve & coordinate the land, air & sea defenses of their oil fields and terminals. This would involve the installation of early warning systems and anti aircraft missiles as well as manned perimeter defenses.

Secondly, the gulf states will take a hard look at the vulnerability of existing facilities and put in some of them such as gathering stations underground. They also intend to stockpile vital spares such as pumps and turbines which can not be "brought-off the shelf".

facilities on Israeli soil.

See the gulf and the RDF by Christopher S. Raj in Strategic Analysis, Vol VII/2-3, May-June 1983 New Delhi, p. 149-159 and Middle East Economic Survey 9th February 1981, Cyprus. p.3.

The third element of the plan calls for the construction "in the near future" of strategic pipe lines to by pass the straits of Hormuz.

To carry out the three point plan, the council has setup a permanent secretariat and it is envisaged that the GCC will intine develop into a loose confederal association between the six gulf state concerned.¹⁵

At a meeting held in Muscat, Oman, on 10th March, the foreign ministers of six Arab gulf states approved the statutes and bye - laws of the council for gulf cooperation which was established in February with the aim of safe guarding the stability of the area through the cooperation of the states concerned in political, cultural and economic affairs. The statutes and bye-laws which were drawn up by legal experts from the six states at the meeting held in Muscat on 9th March will be referred for finally approved at a submit meeting of the heads of state of the countries concerned, held in Abu-Dahbi on 26-27 May. 1981.

Commenting on the out come of the foreign minister meeting at a press conference on 10 March, the Omani minister of state for foreign Affairs Mr. Qais Abdul Mun'im al-Zawawi stated that gulf countries are aware of their economic & political problems and it is their own concerned to under-take them and decide.

15. London observer 15 February, London.

According to Reuters 'Gulf officials indicated that the six member states of the GCC were determined to resist suggestions by the new administration that western military forces should be stationed in the area to protect it. The Govt., of states concerned, the report adds, fear that any western presence in the area, however small, would inevitably provoke, increased intervention by the Soviet Union and that, in any case, western forces would not be able to combat internal subversion or local conflicts. In a statement to the press on 10th March the Saudi Arabian Minister of foreign affairs prince Saud-al Faisal was quoted as saying that the GCC was the "best framework for solidarity among the states of the region" and added that the Agreement on the GCC's statutes will "give us an impetus to move ahead in our quest for cooperation & solidarity".

The Saudi foreign minister dismissed speculation that the GCC constituted a deviation from, and threatened a collision with, the role of Arab League, which he noted was the first pan-Arab body to express support to GCC. "The defense of the gulf", Prince Saud concluded, "is exclusive responsibilities of the gulf nations".

Mean while, on the portion of Iraq vis-a-vis the GCC of which it is not a member was out line by the Iraqi foreign minister Dr. Sadeom Hammadi, who told a

press conference in London on 11th March that Iraq welcomed any form of cooperation among a group of Arab countries, but that it was too early to say whether the GCC would take the form of a pact or a cooperation council which Iraq will support.¹⁶

Analysts have welcomed the moves by gulf governments to coordinate economic development projects because this indicates a greater willingness to sacrifice national objectives for a regional development and a more rational, approach to modernization.

There are still sufficient differences among the gulf economists however to slow plans for greater, economic and political integration with an objective to achieve a confederal structure of it, embarked on much the same path of development with in the same time period. Cooperation could offer not only major economic benefits but it is also an urgent and mature political response to the threat of foreign intervention or even political meddling in this sensitive, vulnerable reservoir of the worlds energy suppliers and will give the collective strength to the individual member states.

16 A. Middle East Economic Survey 8 Feb. & 25 May 1981 P.1-3.

16. Middle East Economic Survey 16 March 1981 Cyprus. p.17.

CHAPTER II

Gulf States - A JOINT POLITICAL & ECONOMIC AGREEMENT AMONG THE MEMBERS OF THE GULF COOPERATION COUNCIL

In building up programmes for regional cooperation, ideas are as important as concrete projects. This is particularly so when the countries moving closer in common effort face more than the political compulsion & economic interdependence but at the same time can not wish away the heritage of a common historical past & the strength of linguistic, cultural & social ties.

It is in this background the text of the document signed on March 10, 1981 in Oman which established the Gulf Cooperation council.

TEXT: "Realizing that special relations, characteristics and similar regimes link them; believing in the importance of establishing close coordination in all spheres, especially the economic & social ones; believing in common destiny and unity of objectives; and desiring to realize co-ordination, integration and closer relations in all spheres, the United Arab Emirates, the state of Bahrain, the Kingdom of Saudi Arabia, the Sultanate of Oman, the State of Qatar and the State of Kuwait have decided to establish an organization that will deepen & bring closer relations, ties & cooperation among its members in various spheres.

The organization shall be called the cooperation council for the Arab States of the Gulf. Its headquarters will be in Riyadh, Saudi Arabia, it will be the means for realizing coordination, integration and closer relations covering the economy, finance education, culture, social affairs, health, communications, information, passports and nationality, travel, transport, trade, customs, and legal & legislative affairs.

The council will comprise :

- a) The supreme council to which shall be attached the body for resolving disputes;
- b) The ministerial council;
- c) The secretariat general.

The supreme council will comprise the heads of member states and the presidency will rotate in alphabetical order. The council will meet in normal sessions twice a year. Each member has the right to call for an emergency meeting which may take place if seconded by another member. The supreme council will draw up the over all policy of the cooperation council and the basic lines it will follow. It will discuss recommendations, laws & by laws presented to it by the ministerial council and the secretariat general in preparation for their endorsements. It will also form the body for resolving disputes.

The body for resolving disputes will be attached to the supreme council and will resolve existing disputes or any that may take place between member states. It will also be the reference point for the interpretation of the basic bye-laws of the cooperation council.

The ministerial council will be formed from foreign ministers of member states, or any ministers deputizing for them and will draw up the basic regulations for the secretariat general. It will prepare for meetings of the supreme council, discussing studies, topics recommendations, bye laws and laws and will draw up the agendas for the meetings of the cooperation council.

It will meet six times a year (once every two months) and emergency session may be held if proposed by two member states.

It will draw up policies, recommendations, studies and projects aimed at developing coordination and cooperation among member states in various fields & will encourage aspects of cooperation and coordination between the various activities of the private sector.

It will work to ~~ga~~ promote, develop & coordinate the existing activities between member states in various

fields. Such activities will be binding should the ministerial council endorse them. It will recommend competent ministers to draw up policies as well as studies.

The secretariat general will be appointed by the supreme council which will define the conditions and period of office of the secretary general who will be a subject of one of the member state. The secretary general will be responsible for all the work of Assistant Secretaries, the secretariat general and the correct course of work in the various departments.

The secretariat general shall have data information apparatus & will prepare studies concerning cooperation and coordinations. It will follow up implementation of the resolutions and recommendations of the supreme council and the ministerial council by member states; prepare reports and studies required by the ministerial council; prepare budgets & final accounts & prepare the draft of financial and administrative bye - laws that will make the body commensurate with the growth of the cooperation council & its increasing responsibilities. The secretariat general shall have a budget, to which all member states will contribute in equal proportion"17.

17. The Arab world weekly, May 23, 1981, London. pp.10-11

The newly formed association also reflects the growing concern of the conservative gulf oil states, to exclude super power rivalry & encroachment from their region. Despite these antecedents the GCC's main focus appears likely to be on regional economic cooperation and coordination. Kuwaiti new minister of finance & planning Mr. Abd-Al Latif Al-Hamad sees a big economic role for the projected gulf cooperation council, likening almost to an embryo Economic Community or common market reminiscent of Monet's EEC.

Observers are impressed by the detail & seriousness of the proposals in this arena which if implemented fully would see the emergence of something akin to a gulf common market with an end to restrictions on the flow of goods, labour & capital between member states.

Before analysing the world wide creative effort of the GCC member countries, a cursory glance over the oil reserves of the GCC countries and of the total world oil reserve statistics is needed.

TABLE NO. I

PROVEN PUBLISHED GCC, WORLD CRUDE OIL RESERVES¹⁸

As at 1st January 1983

('000 million barrels)

Country	Reserves
Saudi Arabia	162.4
Kuwait	64.2
UAE, Abu Dhabi	30.5
Dubai	1.4
Sharjah	0.4
Qatar	3.4
Bahrain	0.2
Oman	2.7
GCC Total Reserves	265.2

OPEC Total Reserves 513.3

REST OF THE WORLD

Country	Reserves
U.S.A.	29.8
Canada	7.0
Mexico	48.3
U.S.S.R.	63.0

World Total Reserves 670.2

18. *Oil and Gas Journal, reproduced from North Africa and middle East year book, London, 1984

The 28 article GCC's convention agreement is an ambitious document which was agreed & signed by the heads of member states on 11th November 1981, is aimed at the comprehensive coordination & unification of economic, fiscal, monetary & industrial policies on stronger basis and for the benefit of their people; as well as their commercial and industrial legislation, and their customs regulations have agreed, as follows.

*NOTE: Reserve figures are subject to wide margins of error and there are considerable differences between sources - including oil company & Govt., proven reserve do not denote total oil in place but only that proportion of the oil in a field that drilling has shown for certain to be there and to be recoverable with current technology and at present prices. Normally recoverable reserves amount to about a third of the oil in place. Because the potential of fields is continually being reassessed in the light of production experience and because the production characteristics of a field can (and often do) change as it gets older, proven reserves figures may some times be revised up wards or down wards by Quite dramatic amounts without any new discoveries being made price rises tend inevitably to increase reserves figures by making small fields or more complex recovery techniques economic.

The only exception to the proven commercially recoverable reserves formula used in this table applies to the USSR figure The Soviet figure reported by oil and Gas Journal are 'explored reserves', which include proved probable and some possible reserves.

I TRADE EXCHANGE

Article 1

1. The Member Countries authorize the importation of agricultural, animal and industrial products, as well as natural resources products of a national origin, and the exportation of same to other Member Countries.
2. All agricultural, animal, industrial, and natural resources products of a national origin are to be treated as national products.

Article 2

1. All agricultural, animal, industrial and natural resources products are exempted from customs duties and charges of similar effect.
2. The charges collected on the national goods shall not be considered as such (i.e. duties) if they are collected as demurrage, storage, transportation, shipping or unloading duties considered as special services.

Article 3

1. In order for industrial products to acquire the quality of national origin, the value added resulting from their production in these (i.e., member) countries should not be less than 40 percent of their final value, after production has been completed; also, the percentage of ownership of the nationals of the Member Countries

in the industrial facility manufacturing these products must not be less than 51 percent.

2. Each commodity eligible for exemption under this Agreement should be accompanied by a certificate of origin approved by the competent government authority.

Article 4

1. The Member Countries shall endeavor to set a minimum unified custom tariff to be applied to the goods originating from the non-member countries.

2. The protection of the national products from the competitive foreign products should be one of the objectives of the unification of customs tariffs.

3. The unified customs tariffs shall be applied gradually within five years from signing of this Agreement and gradual arrangements to accomplish this should be agreed upon within one year from the said date.

Article 5

1. Subject to paragraph 2 of Article 2, the Member Countries shall provide all facilities for the passage of the goods of any other Member Countries by transit and shall exempt these goods from all duties and taxes, regardless of the nature of these goods.

Article 6

1. Passage is prohibited (in transit) to goods prohibited internally to the territory of the Member Countries other than in accordance with its regulations. The customs authorities of the Member Countries shall exchange lists of such banned goods.

Article 7

1. The Member Countries shall coordinate their trade policies and relations with other economic and regional blocks and groups in order to provide equal circumstances and conditions for their trade dealings.

To achieve this goal, the Member Countries shall take the following measures:

- a) Coordinate the policies and regulations of import and export.
- b) Coordinate policies for formation of a strategic commodity stock.
- c) Conclude joint economic agreements in those areas most favorable to the common benefits of the Member Countries.
- d) Create a collective negotiating force to reinforce their negotiating position with foreign parties with respect to the importation of their basic needs and the exportation of their primary products.

II TRANSFER OF FUNDS, MOVEMENT OF PEOPLE
AND THE IMPLEMENTATION OF ECONOMIC ACTIVITY

Article 8

1. The Member Countries agree to implementing regulations to provide for the treatment of nationals of any one Member Country as nationals of these (other) countries without discrimination of preference in the following areas :

1. Freedom of movement, work and residence.
2. Right of ownership, inheritance and appointment of execution.
3. Freedom of implementation of economic activity.
4. Freedom of transfer of capital.

Article 9

1. The Member Countries shall encourage their private sector to carry out joint projects that join the economic interests of nationals in all areas.

III DEVELOPMENTAL COORDINATION

Article 10

1. The Member Countries shall work for the realization of coordination and the homogeneity of their development plans in order to achieve economic integration among them selves.

Article 11

1. The Member Countries shall work toward coordination of their policies in the oil industry and all its relevant phases such as mining, refining, marketing, manufacturing, pricing, exploiting, natural gas and upgrading the sources of energy.
2. The Member Countries shall work toward developing joint oil policies and taking joint positions toward the outside world and in international and specialized organizations.

Article 12

1. In realization of the goals stipulated in this Agreement, the Member Countries shall:
 1. Coordinate their industrial activities and develop the policies and means capable of achieving industrial development and diversification of the production base in each country on an integrated basis.
 2. Unify their industrial legislation and regulations and emphasize the orientation of the local productive systems in these countries toward the provision of their needs.

3. Distribute the industry among themselves according to the relative advantages and the economic feasibility, and encourage the establishment of basic and complementary industries.

Article 13

1. In the framework of coordinating operations, the Member Countries shall give special attention to the establishment and support of joint projects to be undertaken in the fields of industry, agriculture and services using public, private or mixed funds to achieve economic integration, the integration of production and joint development on economically sound bases.

IV TECHNICAL COOPERATION

Article 14

1. The Member Countries shall cooperate in evaluating the areas of joint economic cooperation for the purpose of acquiring a sound foundation based on the support and promotion of research, applied and technological sciences, and achieving the familiarity with imported technology in a way that is in harmony with the needs of the region, its progress and development objectives.

Article 15

1. The Member Countries shall work toward preparing the systems, arrangements, and conditions of transfer of technology and selecting the most suitable technologies or modifying them so as to match the various needs of each country. The Member Countries shall, whenever possible, conclude joint agreements with foreign governments, scientific and commercial institutions for the purpose of achieving these goals.

Article 16

1. The Member Countries shall design and implement vocational, technical, and crafts coordinated training programs on all levels and phases, and upgrade the educational programs on all levels to establish a connection between education and technology and the developmental needs in Member Countries.

Article 17

1. The Member Countries shall establish coordination among each other in the areas of labor and the design of unified criteria and classification of different categories of professions and trades in various sectors with a view to avoiding harmful competition among each other and realizing the optimum benefit from the available human resources.

V TRANSPORT AND COMMUNICATIONS

Article 18

1. The Member Countries shall treat the means of transport of passengers or goods pertaining to the nationals of the Member Countries and that pass through their territories or that are destined for any of each of these countries as if they treat the means of transport of passengers and goods owned by their own nationals, including all duties and taxes, regardless of the nature of goods, and excluding local transport.

Article 19

1. The Member Countries shall cooperate in the areas of land and sea transport and in the field of communications, and shall work toward the coordination and the establishment of infrastructure projects such as ports, airports, water stations, power, and road in a way that achieves the joint economic development and the close connection between the economic activities.

2. The contracting countries shall work towards the coordination of aviation and air transport policies among each other, and upgrade the areas of joint effort on different levels.

Article 20

1. The Member Countries shall allow the vessels, ships and boats and their loads ⁷ pertaining to any of these countries free use of the different facilities in their seaports, and shall treat and give them the same privileges given to their national equivalent whether upon anchoring in the ports or passing by the ports; this includes the duties, guidance and anchoring services, stevedoring, maintenance, repair, storage of goods, and other similar services.

VI FINANCIAL AND MONETARY COOPERATION

Article 21

1. The Member Countries shall strive toward the unification of investment related regulations and laws in order to succeed in designing a common investment policy aimed at channeling their local and foreign investments in a way that serves their interests and their peoples expectations of development and progress.

Article 22

1. The Member Countries shall coordinate their foreign policies in the areas of extending international and regional development assistance aid.

Article 23

1. The Member Countries shall coordinate their financial, monetary and bank policies and shall increase the cooperation among their monetary agencies and the currency to complement the expected economic integration among these countries.

VII FINAL PROVISIONS

Article 24

1. When implementing this Agreement and deciding on the relevant measures, the difference between the levels of developmental priorities shall be taken into consideration. Any Member Country may be temporarily exempted from applying certain of this Agreement's provisions in cases where temporary local conditions require it (except under stipulated circumstances). This exemption will be for a limited period and by decision of the Supreme Council of the Gulf Cooperation council.

Article 25

1. No country shall give any privileges to a non-member country outside the privileges stipulated by this Agreement.

Article 26

1. This Agreement becomes effective four months from the approval of the Supreme Council thereto.

Article 27

1. The provisions of this Agreement shall be given priority in any conflict with the local laws and regulations of the Member Countries.

Article 28

1. The provisions herein shall replace all similar provisions set forth in the bilateral agreements.¹⁹

The first stage of cooperative agreement between the six member states of the gulf cooperation council came into effect on June 1981 covering investment , Petroleum, the abolition of custom duties, harmonizing of banking regulations and the eventual formation of a common currency. In addition to these provisions, certain steps

19. Texts of gulf cooperation councils economic agreement Gulf States - Section 'A' Published in the Umm Al Qura of Saudi Arabia by Decree No. M-13 of 21-3-1402 corresponding to 16 January 1982. Reproduce in 'Middle East Executive Reports' June 1982 Washington, D.C. pp 23-24

Have already been taken in regard to a number of economic activities covered by this agreement.

This include among other things:

1. The coordination of positions at Arab and International petroleum forums.²⁰
2. The exchange of information on local petroleum product markets.²¹
3. The establishment of the Gulf investment corporation (GIC).²²
4. The adoption of collective bargaining policies with foreign suppliers for the purchase of subsidized commodities, such as grain and medical supplies.²³
5. The establishment of the centre for unified measures & specifications.²⁴

20. Middle East Economic Survey 18 October & 8 February 1982 Cyprus, p.A-10

21. Middle East Economic Survey 26 April 1982 Cyprus p-11

22. The establishment of the Gulf investment corporation (GIC), capitalized at \$ 2.1 b. to handle joint financial and economic investment 20% of which will be paid up and the rest settled during a period not exceeding five years, members of the GCC-will own equal shares of \$ 350 m. each in the new corporation & will have the right to settled upto 4% of the share to their citizens. The objective of GIC according to Mr. Ibrahim Abd-Al Karim, the Bahraini minister of Finance, are to invest in commercial and industrial ventures both within & out side the Gulf region. (GIC) has its headquarter in Kuwait and is expected to start operation at the end of the year. Middle East Economic Survey 15 November 1982 Cyprus p. A-11

23. Middle East Economic Survey 3 January 1983, Cyprus, p.A-7

24. Middle East Economic Survey 8 November 1982 Cyprus, p.A-6-10.

Not only this the Gulf Industrial consultancy organization is reported to be working closely with the GCC to create a common gulf strategy, in planning to unify statistical systems of Arab Industries, which is to include a scheme for commodity classification for further industrialization.

A unified policy on the acquisition of technology was also approved. Feasibility studies on the integration of member states, electricity networks were commissioned in March 1983.

Among the measures which are expected to be put into effect in the near future are a review of commercial laws with a view to facilitating the establishment of joint private and public companies, and the adoption of a unified economic agreement is to establish an integrated economic entity in which there is free movement of capital goods & man power as well as joint coordination in the planning & execution of economic & financial policies.²⁵

As regards the progress of GCC's cooperation in the sphere of commercial & of oil projects, it has achieved a great deal, particularly in the fields of joint projects. The latest gulf government project is the Saudi - Bahraini Cause Way 1982 which will provide

25. Middle East Economic Survey 7 March 1983 Cyprus, p-8

a road link between the Islands and the Arabian Peninsula. All though it is essentially bilateral rather than pan Arab, the cause way is indicative of the trend toward greater cooperation. It should have some benefits for the UAE as well as for Saudi Arabia and Bahrain. By helping to open huge Saudi market to Bahraini manufactured goods, the cause way will stimulate activity on the Island helping to create the jobs necessary for continued political stability.²⁶

Regarding the cooperation in the sphere of oil project Sheikh Ali Khalifah while speaking in Manama on 5 July 1982, had this to say that despite the fact that the permanent ministerial committee on oil affairs is only one year old it has achieved a greate deal, particularly in the field of joint ventures. We have before us a number of projects including the heavy Hydrocracking Plant in Bahrain in which the Govt. of Bahrain, Saudi Arabia and Kuwait have signed an agreement in July 1981. The venture which will be owned 40% by the Bahraini Government & 30% each by the Saudi Government & Kuwait Petroleum Company, is designed to use feef stock of heavy fuel oil from refineries in Bahrain, Kuwait and else where for cracking into lightor products & agreed to allocate \$ 2 million for economic & technical study.

26. Strategic Digest See Art., joint projects bring diversity to an oil dependent economy by Edmund Osullivan. (Institute for Defence Studies and Analyses pub.,) New Delhi, September 1981. P. 788

technical study, possibly to be joined by other country.²⁷

Similarly there is a methanol & fertilizers project, also in Bahrain. A refinery project in Oman and oil blending project in Oman and a project for the extraction of coke from heavy crude. Another project is under study to link the gas distribution net works in the GCC member countries in order to swap gas between them on a commercial basis and thus supply clean fuel for their power plants and provide for better gas utilization.

These project, some of which are still at the study stage would be considered in major achievement for any organisation and group over a period much longer than the ministerial committees life time, and we are convince that this coordination will benefit the national companies.²⁸

To boost up the entire industrial setup of the region recently GCC and OAPAC countries agreed to promote in Kuwait December 25, 26, 1983 for talks on matters of mutual interest in the field of energy oriented specialized training, the exchange of energy related data and expertise and information activities. It was agreed to hold a annual meetings for : an

27. Middle East Economic Survey 20 July 1982 Cyprus.

28. Middle East Economic Survey 25 October 1982 PA-3 Cyprus.

evaluation of the various aspects of such cooperation.²⁹

There is also coordination between the national oil companies in the committees on marketing, exchange of information through the GCC liaison office in London,³⁰ training and refining..

The basic reason that they have been able to achieve so much in so short a period is the feeling of mutual trust between the members of ministerial committee and the lack of resentment even when one of the countries put forward a project which is rejected for economic reason. More over it is the manifest ~~its~~ policy orientation of member governments that there projects should be economic basis in order to enable them to survive & to form a buttress for gulf cooperation in general rather than a burden which hampers the development of cooperation between the member countries.

29. OAPEC Bulletin volume 1 January 1984 p.1 Kuwait.

30. The GCC has setup a liaison office in London known as the gulf information and research centre whos task is to distribute information about the GCC and to act as a general representative of the organization in the UK. The centre, which does not have diplomatic status will also arrange for the publications and distribution of booklets and provide information on customs regulations to prospective exporters. Middle East Economic Survey 26 June 1983pA-7. Cyprus.

CHAPTER III

STATESMAN LIKE APPROACH TO FOREIGN POLICIES

Although they differ in resources and sometimes disagree on action, the smaller states of the gulf formulate their foreign policies from the same initial position - that of having neighbours much bigger & militarily stronger than themselves. For the foreseeable future they seem certain to be vulnerable to military attack. Hence the desirability of the smaller gulf states, enjoying good relations with as many of their neighbour as possible.

What would best suit the interests of the gulf states is the development of what political scientist have dubbed a 'pluralistic security community' which in plain language, is an area where there is a tacit understanding among the states that they will not use force to settle their disputes with each others. Such communities can be said already to exist in north America and Western Europe but considerable progress is still necessary for one to appear in the gulf.

Such has been the spirit of reconciliation and realism behind the formation of GCC. Also the traditional gulf monarchies share a growing awareness

that they may will sink or swim together & that quarrelling among them selves weakens their collective strength. Finally there is a regional emphasis on economic development and, as a result, a reluctance to waste money and attention on disputes in which there seems to be little chance of success for any of the parties. In brief statesman like is prevailing.³¹

Assuming the political will to do so exists, is it possible for the Arabs to defend themselves and their region?. The scenario in which such defence would be necessary is in itself, some suggestion of man and material available to the Arab countries is necessary in calculating the response. In the new pattern of power relationships that are taking place in the gulf at present through the different diverse interests and policies of the external powers seem to be matched by the equally diverse aspirations & pulls of local powers.³²

31. See The Arab world, pub. The Arab world press Agency Beirut, Lebanon, 9th August 1979

32. See foreign policy orientations, cha., in politics in the gulf by Prof. M.S. Agwani, pub.,

GULF COOPERATION COUNCIL

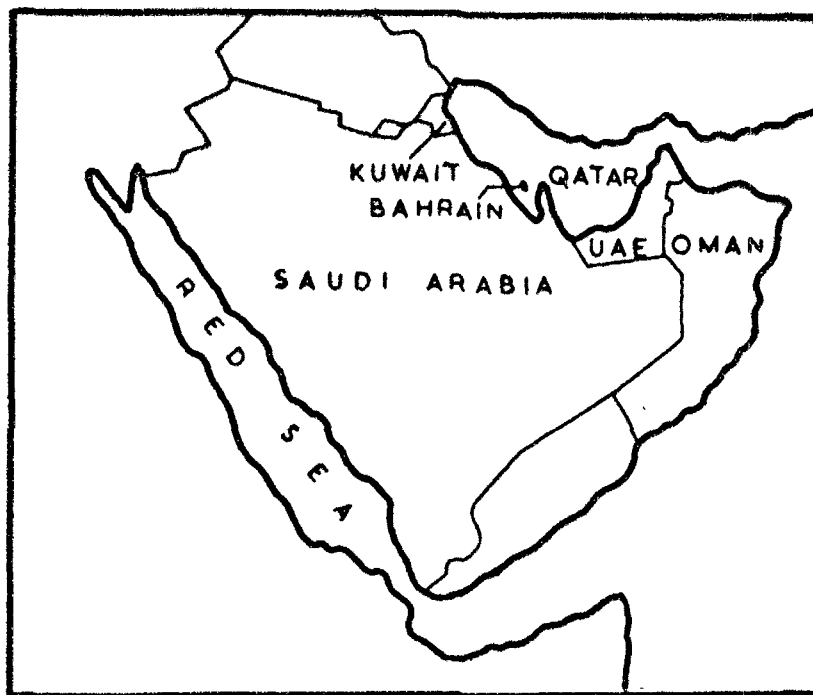


FIG.2

But still the GCC member states do find themselves in a powerful position then could be achieved by any single member country. The principal aims of the GCC are, the coordination and unification of economic policies coupled with political aims of member countries. And the determination of the best means of safe guarding their intrests individually and collectively. It is necessary to understand the six GCC membor countries, to discuss each country inturn.

1. Saudi Arabia: Saudi Arabia is a moving spirit behind the newly formed GCC and is likely to play a crucial role in how it develops, as on its formation the late King Khalid of Saudi Arabia maintained that "The security and estabillity of the region is our own responsibility" and the GCC provides a framework for coordinating policies of the member countries (including eventually defence and internal security) with the aim of safe guarding estabillity in the gulf region.³³

Area (sq.m.)	9,27,000					
Population	- 8,000,000	(including 2 million expetriates)				
Crude petroleum	1978	1979	1980	1981	1982	
('000 metric tons)	414,757	470,583	488,727	490,8m	324.8m	
Crude oil production Total=1981	by company 3,586.9(m.barrels) ³⁴					

Form of Government: Saudi Arabia is an absolute monarchy with no parliament or political parties. Constitutionally the king rules according with the sharia the 2nd law of Islam.

33. Op.Cit. 7 p-789

34. See statistical survey Directory p-549 reproduced from United Nations year book of industrial statistics - Europa publications Ltd., London.p-549

Political and Economic Affairs: Never has Saudi Arabia, its rulers, system of government and people - been faced with such great challenges or subject to so many strains, both the complexity and magnitude of its problems seem to grow with the power and wealth that derive from possession of up to one third of global oil reserves, a predominant share in the total out put of opec and a mounting share of the worlds' financial assets. Despite its firm support of palestinian rights, the rulers do not like radical nationalism and fear the infiltration of communist ideas.

Iran as its competitor for the leadership of the gulf area followed by Islamic revolution, occupation of the grand Mosque of Mecca, appeared to confirm the worst fears forcing the Saudi government to re-examine the very basis of the development path it had traced out. The result was a reaffirmation of the policy of rapid modernization, but with a new program to ensure that the benefit of development are spread evenly among the Saudi people³⁵. A recent suggestion that the govt., is seeking to augment its forces by renting forces from Pakistan employees that the present strength is considered to be only marginally adequate to fill its role.

35. op.cit 7 p.790

On the other hand, it has seen the maintenance of the maximum pan - Arab consensus and identification as an equally essential to its security.

2. Kuwait: Kuwait is the important member behind the recently formed gulf cooperation council. It has also backed the expention of the council which is seen as an alternative to US proposal for a rapid deployment force- to cover political and military cooperation. Though critical to Soviet intervention in Afghanistan. It is the only gulf state to have diplomatrice relations with the Soviet Union.

Area (Sq.m) 5,800

Population: 1.4 million

Petroleum production (million bax.,)	1979	1980	1981
Kuwait*	807.9	508.2	
Kuwait/S.Arabia			411.2
Partitioned Zone:			
Onshore**	30.7	28.2	
Of shore***	72.6	70.2	36
Total=	911.2	607.2	411.2.

*Kuwait Oil company

** Kuwait wafra Oil Co., (Kuwaits Share)

***Arabian Oil Co., (Kuwaits Share).

36. Kuwait, pp.433 in The Middle East & North Africa 1983-84 Europa Publications Ltd, England.

Form of Government: The only gulf state with an elected parliament. The ruler is the head of the State and the heir apparent is the Prime Minister, two other ministers are held by members of the Emirs family. There are no political party but a small group of deputies with a radical nationalist platform have challenged the government candidates at elections which must take place every four years.³⁷

Political Affairs: For years the Kuwait government, using careful diplomacy backed by substantial subventions, attempted to ensure a net work of alliances intended to preserve its integrity. A wealthy country, whose borders are almost impossible to defend, threatend by an Iraqi claim to sovereignty over the territory. She presented a vulnerable, desirable target of defence and development. Iraq long considered the existance of the state to be an insult due to its unsettled borders with Kuwait. More recently, and perhaps due to a cool assessment of the possible reactions Iraq wanted to clear her relations with Kuwait and remove the atmosphere created by Kassim regime. And relations have certainly improved for a time.

Even so, there is still an element of nagging uncertainty, this is perhaps inherent in Kuwait's even handed approach extended to arms purchase as well.

37. See- Kuwait in Middle East & North Africa Year Book 1983-84, Europa Publications Limited, London, p.431.

It bought tanks from Britain and mirajes from France and invited a Yugoslav firm to built airbases and small missiles.³⁸ It recently ordered a number of fast attack craft for the navy from West Germany.

Kuwait has been the most critical among the gulf states of United States policy in the region. It has deplored the Reagan's administration emphasis on the Soviet threat to the area, which it has described as remote. Like most Arab States, Kuwait sees the Arab-Israeli Dispute, as a much more serious threat. In line with hard line Arab States Kuwait rejected the United States proposed peace agreement between Israel and Lebanon in May, 1983.³⁹

3. United Arab Emirates: The United Arab Emirates was declared an independent, sovereign state on December 2, 1971. The Union^{*} is part of the Arab World, to which it is bound by ties of language, history, religion and common destiny. Sheikh Syed Bin Sultan, the ruler of Abu Dhabi became the first President of the U.A.E.

Area: 32,000 sq. m.

Population: Total 350,000 (1980 est.)

	1979	1980	1981
Crude Petroleum			41a
(m. barrels)	667.6	626.2*	548.1*

*Including an estimate for sharjah

38. Op-Cit32, pp. 110-112.

39. OP-Cit 37, p.p. 426-427.

*40. Seven Emirates form Union- Abu Dhabi, Dubai, Sharjah, Ras-al-Khaimah, Ajman, Ummal-Qaiwain and Fujeirah.

Form of Government : The highest federal authority is the supreme council of rulers, comprising the hereditary rulers of seven emirates, from its seven members. The council elects a president and a vice-president. The president appoints the prime-minister and a union (Federal Council of Ministers), responsible to the supreme council. There are no political parties. In local affairs each ruler has absolute power over his subjects.

Political Affairs : On the world scene the United Arab Emirates has already become an influential voice. Becoming a member of the Arab League on Dec. 6, 1971, just four days after independence, the United Arab Emirates has assumed an active rôle in developing concerted policies within the Arab Islamic and the third world group of nations.⁴¹ The U.A.E. also keenly participates in the working of the organisation of G.C.C.

A primary consideration in the foreign policy of the U.A.E. is also the striving, through solidarity with all the Arab peoples, for the achievement of a just peace in the middle east. Such peace can only be based on the liberation of occupied Arab territory and the restoration of the full rights of the palestinian people.

41.a. See U.A.E., in Middle East & North Africa, Yr.book 1983-84, p.682.

41. b. The term third world countries is relative in general to those countries which have recently gained independence and have a real percapita income less than a quarter of the percapita income of the United States, Canada, Switzerland etc. or are falling within the income range of less than \$500. Most of the countries of Asia, Africa and Latin America and some countries of Europe are included among them.

On the internal level, a determined effort has been under way in the past few months to strengthen the Central Government. Following advice from military experts provided by Arab States, moves are now under discussion for the unification of the defence forces, a step which will further strengthen the process of integration and help to ensure the security and independence of the country as a whole.⁴²

4. Qatar : An independent state in the Persian Gulf. Although declared independence only in Sept 1971, a step by step approach has served Qatar well in top in its foreign calculations which gives the special interest to maintain and develop the strategies with other Gulf states. This is evidenced by its active participation within the co-operation council of the Arab States.

Area (Sq.M.) 4,4025

Population 250,000

Petroleum Production (1981), 000 barrels
147,817 (off shore 70,331)
on shore 77,486⁴³

Form of Government: Qatar is an absolute monarchy with full power vested in the Emir as head of the state. A provisional constitution came into effect in July, 1970 through which executive power resides in the council of ministers with a prime minister appointed by the head of State. Qatar has no parliament or political parties.

42. See Art. Four Years of the U.A.E. in the Middle East No.17, March, 1976 London, pp 42-43.

43. OP-Cit. 41 see Qatar p. 534.

Political Affairs : The state of Qatar believes that Arab solidarity is the force which would help Arab countries to realise their aspirations and national objectives. Further a unified Arab movement would play a leading role in spreading peace and justice throughout the world, based on the prospects of the Islamic region. On Palastinian question, Qatar has always made its position clear and unequivocal by calling on the world community of nations, at every possible opportunity to support the liberation of 'all occupied territories and to uphold the right of self determination of the Palastinians under the leadership of P.L.O.'

Qatar believes in the inalienable right of the nations of the world to self determination, independence and sovereignty and their right to exploit their national resources to their own benefit. As a member of non-aligned nations Qatar participated actively in upholding their principles and objectives.⁴⁴

5. Bahrain : Bahrain, some times nicknamed the 'pearl of the gulf' is the only island nation in the Arab world with its nearest neighbours are Saudi Arabia and Qatar has, since ancient times been fought over by rival powers envious to its fresh water springs. Influenced under the impact of Gulf Co-operation Council, neutral and friendly with its Arab neighbours, planners in the late 1970's emphasised

44. See Chap. The State in the Qatar Year Book (1981-82) Pub. Publications Department, Ministry of Information, Qatar, pp. 24-25.

making the country the services centre of the gulf.

Area (Sq.M.)	258
Population	35,8857 (including 116-261 foreign workers)
Petroleum Production (1981), metric tons	2,309,800 (crude petroleum) ⁴⁵

Form of Government: The executive arm of government is a seventeen member council responsible to the Emir, who retains sovereign power. The national assembly consisting of thirty elected members and twelve ministers, was dissolved in 1975. For some years there has been talk of re-establishing an elected assembly and to the promulgation of a new constitution, but still there are no immediate signs of activity.

Political Affairs: Today Bahrain's ambition is to be recognised as the (Switzerland of the Gulf), strictly neutral and on friendly terms with all neighbours. Perhaps by its military link up with Washington that predictably outraged the Arab nationalist opinion. In this circumstances however, it was natural that Bahrain should seek friends among the Arab Gulf States and Kuwait Abu Dhabi and Saudi Arabia all have responded warmly. All have provided generous "soft loan" and direct grants and have taken substantial stakes in Bahrain's budding industries.

45. See Bahrain in the Middle East & North Africa
Year Book 1973-74. Europa Pub. Ltd. London, p. 247.

With Bahrain's new wealth- although it is far less than that of its Arab neighbours planners in the late 1970s emphasised making the country the services centre of the gulf. Bahrain's monetary agency, the states central banking institution- on 26 Nov. 1975 approved application by 15 major international banks for licences to start off shore banking operations in Bahrain, to open its doors to attract surplus Arab Oil Funds.⁴⁶ In this statesman like approach Bahrain's ministers with their political connections outside, constitute the most experience team of economic planners in the gulf states, pride themselves on the flexibility to meet any situation.

6. Oman : As the most strategically important gulf country in terms of oil supply, security through the Hormuz Straits, during the past decade Oman has received large scale military assistance and like its gulf neighbours has a full partner in the gulf cooperation projects.

Oman, lacking the financial resources of its neighbours, is not as well placed to stand aloof from the west as other gulf states have done. Oman can not probably be classified as an oil rich state and is closely associated with the west after the Soviet invasion of Afghanistan and the demise of the Iranian monarchy.

46. According to a Reuter Report from Bahrain the new Banks will not be allowed to deal with residents of Bahrain nor they will be allowed to offer, checking account services. However, they are free to offer all banking services to non-residents, governments and bankers. The new off shore banks will be exempted from all local taxes on their process.

Area (Sq.M.)	82,000			
Population	750,000	1979	1980	1981
Petroleum Production (m.barrels)		107.7	103.3	119.7
Exports	"	107.5	102.0	120.1 ⁴⁷

Form of Government : The Sultan rules with the advice of an appointed cabinet. Oman has a consultative assembly of 45 nominated members, 17 of whom are government officials. Members are nominated for a terms of two years. The assembly meets four times a year. It has no political parties. Legislation is performed by a decree. The country is divided into 40 Wilayats (Governorates).

Political Affairs: Sultan Qaboos bin Said who is among the first to promote the idea of gulf co-operation council as a step towards a common market and eventual unity, has often said that such co-operation and co-ordination is the only deterrent to foreign ambitions.

Faced with the task of dragging a divided nation back into the world, Sultan Qaboos adopted a political approach that is quite different from others in the gulf. Oman like its gulf neighbours has acted to mediate the disputes within the gulf as recently Oman and United Arab Emirates finally agreed to resolve their territorial claims. Even on the most difficult problem- relations with Southern Yemen- a changed attitude in Aden plus the mediation of

47. See Oman in Middle East & North Africa Year Book, 1983-84, Europa Publications Ltd, London, p.526.

representatives of the gulf co-operation council augur for an end of hostilities. Oman is now extremely active in a regional and Arab circles.⁴⁸

Supporting the Camp David Peace Accord Oman adheres to its belief that any process towards peace in the middle east is better than none.⁴⁹ Reacting on United States use, the Arabian sea island of Masirah as a military base, Yusuf Alwani, the Omani minister of states for foreign affairs told the Cairo daily, Al-Akbar 'that while his government is considering the U.S. request for permission to use the Masirah island for refuelling and maintenance facilities no one would be permitted to use their air fields for military operations or for purposes of attack.'⁵⁰

As it is clear from the present observations that there is no single answer to the needs of all oil exporting countries regardless of their state of socio-economic development and type of political institution pursuing different foreign policies. But it is clear that all the G.C.C. countries are faced with a common dilemma. If there are some of the major problems and risks facing many. This is the area where regional organisation such as O.A.P.E.C. and the G.C.C. have a vital role to play.

48. CP.Cit. 7 see- Oman pp. 797-799.

49. The Times of India, 29 January 1975, New Delhi.

50. See Oman Vol. 2, Feb. 1978. Pub. by the Embassy of the Sultanat of Oman, New Delhi, pp. 7-10.

While answering the question 'how to reconcile the different foreign policies of the members of the gulf co-operation council' to the editor of the Middle East Journal, Sept. 1981, G.C.C's Secretary General, Yadub Bishraa declared that we are an association of sovereign, independent member states, we have not yet started co-ordinating our foreign policy. What we will definitely try to do is to coordinate our foreign policies as much as we can. Today there is more coordination in our foreign policies- and not very much can be coordinated. But what we need is the concretization of this cooperation, and that will come down to the more difficult side, which is the economic and military aspect of it. It is just the beginning of a process. It will take a little while for us to get there but I am optimistic and I think this is one of the most constructive moves that has emerged in this region in a long long time and if we succeed this will have a major impact on the future of their region.⁵¹

In fact if they try to stress what brings them together, rather than what divides them they will be able to succeed. Geography has nothing to do with the establishment of the G.C.C. There is an indirect identity among the six member states in foreign policy, their economic and social system. And this identity is dictated by the establishment of the gulf cooperation council.

⁵¹. The Middle East Sept. 1981 No.83 London, p. 123.

CHAPTER IV

OIL - KEY INDUSTRY ENTERS NEW STAGE

Believing that the crude oil is a commodity the prices of which have been influenced more by political factors than by market forces, particularly in the past decade and conscious that the Arab world forms a single unit which suffered artificial fragmentation by the colonial powers, the Arab people are now willingly breaking down the remnant barriers which separate them. Aware that in a world of rapid changing economic conditions, effective measures toward economic development often can only be achieved through large scale organizations, they are striving to fuse their efforts for a common good.

In 1973 when the gulf states along with other members of opec collectively enhanced the price of oil a myth of commodity power was created. The literature on international relations was flooded with the nature and kind of threat posed by the third world. Ironically, in ten years time, the myth of commodity power has disappeared. The mighty OPEC's so called cartel is today under heavy pressure from the oil market. It is no more enjoys the status of dictating the price.

The shift in the world oil balance against the opec countries has taken place due to various factors. After the initial oil shocks (Quadrupling of oil prices in 1973-79 doubling in 1979-80), the world oil market has undergone some structural changes - The demand for oil has gone down as a result of conversion policies and the new substitute of energy. The declining share of OPEC and the Arab Gulf countries can be seen from the table below - OPEC's share in the world oil production has gone down 55% in 1973 to 33 percent in 1982, correspondingly, its share of crude exports have also shown a decline from 87.3% in 1973 to 56.7 percent in 1983. The magnitude of the decline on individual countries can be seen by the fact that Saudi oil production has gone down by 57 percent only between 1979 and January 1983, while that of Kuwait by 66 percent and U.A.E. by 33 percent during the same period.

CHANGING SHARE OF OPEC AND THE ARAB GULF STATES
IN GLOBAL PRODUCTION AND EXPORTS OF CRUDE OIL
IN 1973 AND 1982 IN PERCENTAGE.⁵²

Country	Production	Export	Production	Export
S.Arabia	13.6	22.2	12.0	19.6
Kuwait	5.4	29.5	1.3	3.5
U.A.E.	2.7	4.6	2.2	3.5
Qatar	1.02	1.6	0.6	0.9
OPEC	55.5	87.3	33.0	56.7

52. Source - produced from the original script of the paper of Gulf states in world economy by Grijesh Pant, at the Seminar on International developmental relations & the third world at A.M.U., 7-10 October 1983 p-7.

From all available accounts, the production quotas evolved by the organization of petroleum exporting countries in 1982 to restore market equilibrium appear not to be working well.

Three major factors would account for this:

1. Non - OPEC production, especially of the United States, United Kingdom and Mexico, has considerably increased. For instance during January - August 1982, non - OPEC production (excluding socialist countries) amounted to 19.5 million barrels a day, up 4 percent on the corresponding period of 1981. as against this, OPEC production was a little over 18 million barrel/d during the period - 22 percent below the level in the same period of 1981. According to the petroleum intelligence weekly this steep fall in demand for OPEC oil necessitated shutting down of 42 percent of the member countries' capacity.
2. Non OPEC oil producers have kept their prices much lower than the OPEC mark of \$ 34 per barrel to increase their share of the market. As shown in the table below.⁵³

OPEC West Asia	Out put Jan. Aug. 1982 (1000 b/d)	% change	Capacity* (1000 b/d)
S. Arabia	6,772	-32.2	11, 000
Iran	1,630	+12.5	2,500
Iraq	984	+21.8	1,500
Kuwait**	643	-37.8	2,500
U.A.E.(Abu Dhabi)	874	-24.7	2,100
U.A.E.(Dubai)	362	+ 0.6	370
U.A.E.(Sharjah)	7	-18.4	15
Qatar	332	-23.2	650
Neutral Zone***	289	-27.7	600
	11,893	-24.0	21,235

OTHER: (OPEC countries)

Venezuela	1,736	-16.9	2,400
Nigeria	1,289	-11.1	2,400
Libya	904	-29.5	2,000
Indonesia	1,334	-17.4	1,600
Algeria	652	-22.7	1,100
Gabon	146	- 0.7	200
Ecuador	206	- 2.6	250
	<u>18,160</u>	<u>-22.0</u>	<u>31,185</u>

NON-OPEC COUNTRIES:

United States	8,680	+ 1.5	-
North Sea	2,608	+12.5	-
Mexico	2,660	+13.7	-
Oman	321	+ 1.0	-
Others	<u>5,368</u>	<u>+ 0.9</u>	-
Total non OPEC	<u>19,636</u>	<u>+ 4.2</u>	-
OPEC NGL	883	+10.6	-
Non OPEC NGL	2,293	+ 0.5	-
Total world production	<u>40,971</u>	<u>- 9.7</u>	-

(other than socialist countries)

OTHERS:

Soviet Union	11,926	+ 1.1	-
Other East European countries	420	+ 1.2	-
China	2,022	+ 0.2	-
Total world	<u>55,339</u>	<u>- 7.2</u>	-

* PIW's assessment of the maximum production sustainable for several months under current circumstances without regard to govt. ceilings

3. Lastly, two of the OPEC member Iran & Libya have openly defied the production quotas, there by causing resentment among the others. According to preliminary estimates Iranian output since October 1981 is around 2.4 - 2.6 mbd as against its OPEC quota of 1.2 mb/d while that of Libya is over 1.4 mb/d, as against the OPEC quota of 1.50, - 000 b/d.⁵⁴

These changes in the International oil market as they unfolded, eroded the supremacy of OPEC as the manager of the oil market. The fall in the world consumption of crude, accompanied by increased non - OPEC production, reduced the demand for OPEC oil substantially. The trends in late 1983 of the world crude oil demand led some commentators to conclude that "The demand for OPEC oil has reached a critical stage" and if this trend continued OPEC might become along with other Arab regional economic organizations "a residual supplier".

⁵³Excluding share of neutral zone.

⁵⁴Capacity and production shared about equally between Saudi Arabia and Kuwait i.e. Neutral Zone (immediately to the south of Kuwait, along the gulf, is a partition zone of 5,700 sq. km. which is divided between Kuwait and Saudi Arabia. Each country administers its own half, in practice as an integral part of the states. However, the oil wealth of the whole zone remains undivided and production from the own shore concessions in the partitioned zone is shared equally between two states.

53.Source: Petroleum Intelligence weekly August 1982, Kuwait.

54.See strategic analysis Vol. 6, 9, December 1982, New Delhi p- 571

But, for the gulf states like Saudi Arabia and Kuwait selling of certain amount of crude is more important than its price. Their economies can not afford a substantial decline in oil production. Hence, their concern has been to the maintenance of the OPEC share and their quota in the world oil balance. It is reported that Sheikh Yameni and Sheikh Al-Sabah agreed in January meeting of OPEC "That they do not need money but they do need gas which is produced along with the oil. If the discounters made it impossible for them to sell all the oil, then quota allowed, their countries would run short of gas".⁵⁵

Since after the October 1973 war, gas which until then had been of no value and was usually flared off, became valuable in step with oil. It has been exploited in two principal ways. The 1st is in the establishment of industries that are high energy users and whose products in demand in the Gulf, had formerly to be imported.

It is estimated that the utilization of gas was 49.8. percent in U.A.E., 86.3 percent in Bahrain, 27.2 % in Saudi Arabia 81.6 percent in Qatar, 83.9. percent in Kuwait in 1980. The following table gives the pattern of gas utilization through which the different industries run. Cement and steel works have been established

55. The economist 19 February 1983, London p-27.

UTILIZATION OF GAS RESOURCES, 1980 (IN PERCENTAGE)

State	Utility	Industrial Uses			Reinjection	Flared
		Feed	Stock	Fuel		
Bahrain	20.0	1.5		40.8	24.0	13.7
Kuwait	48.3			30.3	5.3	16.1
Qatar	41.0	28.7		5.9	6.0	18.4

Source : OPEC, Annual Statistical Report, 1982

nearly every state has its cement works and the U.A.E. expects to become a net exporter shortly. The 2nd use of gas is as a feed stock for an embryo chemical industry, as in the new naphtha plant in Kuwait has been established.

Diversification of the industrial base has therefore been in two directions: Firstly towards import substitution and to provide the base for future export industries, and second in the direction of down stream activities in the oil industry to increase the value of exports. Recent examples of the second, are the urca plant extension and the newly formed international oil corporation in Kuwait. An interesting variation is the company, formed in Ajman in co-operation with Japanese interests to undertake offshore oil rig repairs & maintenance. The only real attempts at forming new industries unconnected with either import substitution or oil are the attempts of the monetary authority of Bahrain to stimulate the growth of an offshore banking industry by introducing special legislation, and the fish processing plant in Abu Dhabi. It is in this back ground as pointed out earlier Saudi Arabia, Kuwait,

Qatar and Oman need oil production because they need gas to run their industries. Prior to industrialization, the GCC countries had no choice but to flare their gas, now when they are building their industrial base on Gas, they are facing a situation to sell their oil at cheaper rate to maintain the supply of gas, but it would be an over simplification to conclude that the Arab Gulf states can ignore the decline in the oil price. On the contrary, the other OPEC members are keen to hike up the oil price to sell it at discount rate. Taking the present situation into account the meeting of oil ministers in October 1982 in Oman have come out with a bomb shell of a statement on the oil market situation which has undoubtedly sent shock waves reverberating through the world of oil. In effect to that the GCC oil ministers statement warns other oil exporters - both inside & out side OPEC in the strongest possible terms that the present confusion and laissez - faire with regard to production & prices can not be allowed to continue. The statement complains to specific detail that some other OPEC countries (unnamed) are indulging in various types of overt & covert price hike & price cutting, as well as producing above the quota assigned to them by OPEC 1st March 1982, and that the problem is exacerbated by the maintenance of unjustifiably

low differentials between north Africa crudes & the Arabian light maker.

Turning to the non-OPEC exporters - the north Sea producers & Mexico - the GCC statement warns them that their freedom in price cutting could rebound dramatically against them in the event of an over all price collapse when some of the higher - cost North Sea fields could even be rendered uneconomic.

The statement emphasizes that had it not been for the assumption of the burden of market defence by the GCC members, some of which would have suffered heavy loss of production volume as a result 'the irresponsible behavior' or 'of the others' would have led a disintegration of the price structure & chaos in market. With the ending note, the member countries warned that the other producer should know that the GCC ministers expect them to shoulder their responsibility and that if they continue in their misguided actions they will not be protected by the member countries of the GCC from the consequences of their actions.⁵⁶ Not only this the meeting in Salalah, Oman also discussed and approved to carry out the studies on a number of oil projects. One of these concerns the establishment of an industrial area for oil in the Sultanate of Oman

56. Middle East Economic Survey 18 October 1982 Cyprus pp. a1-a7.

and the construction of a refinery to up grade heavy Omani crude in order to increase its market-ability. The conference formed a committee to study various joint project of this nature.

Among the major which are expected to be put into effect in the near future,~~is~~ that the member countries which have reserves of non associated natural gas will supply countries lacking gas with the quantities required for their industries and utilities.⁵⁷

There is also a direct cooperation of the GCC with the organization of Arab petroleum exporting countries for the establishment of Arab centre of energy studies at the headquarters of OAPEC in Kuwait. The centre which combines two departments in OAPEC - economics and energy resources, will widen the scope of work for the secretariate to include studies and research on all aspects of energy as well as covering all the Arab State. So far OAPEC has been mainly concerned with oil related subjects in ~~the~~ Arab oil producing states. The centre will also be concerned with preparing profeasibility studies for joint energy projects as well as being the executive Arm for the Arab Energy Conference. A joint Arab effort which is held once every three years under the sponsorship of Arab regional organization.⁵⁸

57. New letter, Arab Gulf States, 16 October 1982, London pp-3-4.

58. Middle East Economy Servey, 11 April 1983, Cyprus p. A9

The OAPEC publication called upon the Arab oil producing states to diversify their industries and to create local substitutes to imported goods and as well as adopt fiscal & monetary policies to rationalize private & public spending. On the other hand great efforts should be expended to rationalize production and to raise the productivity of citizens both in the private and public sector. Extraordinary efforts will be needed at that stage in view of the pervasiveness of special interest and large institution which encourage & propagate foreign modes of consumption among the traditional societies of the region. 'To achieve these objectives, the Arab oil producing countries must adopt policies aimed at creating local substitute to imported goods and at diversifying the economy to lessen dependence on oil revenues.⁵⁹

The case for industrialization in the Arab world stems in part from the need to generate balanced economic structures in the place of their present over bearing lopsidedness, and from the need for additional employment opportunities, stable sources of income, better utilization of domestic resources, the development of indigenous skills through learning by doing, security of supplies and provisions, regional equity and integration, national self reliance and independence. And still today current Arab industrial structures reveal a deficient effort and limited implementation of goal and objectives.

59. News letter, -Gulf states 15th April 1983, London p-3.

In particular, oil has failed to provide a sufficient stimulus to industrial development but at the same time it would not be wrong to say that the future of the gulf economies is tied with the petrochemicals. The massive scale by which the gulf states have been investing on this industry has gradually changed the whole profile of the region. As the following table shows the gulf state are likely to become leading producers of petrochemicals.

ARAB GULF PETROCHEMICALS PRODUCTION, 1986-87.⁶⁰

Product	Million tons per annum	% of world production
Ethylene	3.300	6.6
Methanol	1.515	9.5
Ethanol	280	7.0
Ethylene Glycol	.635	12.0
Styrene	.635	5.4
LDPE	.868	5.5
HDPE	.265	3.3

The rationale for heavy investment in petrochemical is the comparative cost advantage. It is agreed that the gulf states enjoy advantage in terms of cheap feed stocks & capital cost but innovation is a very critical factor in its growth because petrochemical industry is not only highly

60. Op.Cit. 52 p.13 - source : G.O.I.C.

capital intensive but technological intensive too which at present is not in their favour. For the better utilization of domestic resources incentives should be created to encourage the local production of goods, and inducements provided for the public to accept those products. The primary means to that end could be the use of taxation and, more important emphasis on quality so that local products would compete favorably with the best produced in industrialized countries. Such measures should be accompanied by a public awareness campaign to cut back on conspicuous consumption & waste.

The Arab oil producers can bolster policies now aimed at greater self-sufficiency by strengthening their co-operation with one another and with other Arab countries. They are now making use of all opportunities for economic cooperation that exists in the many countries that compose what is termed the 'south'. The volume of trade of these countries with the industrialized countries of the 'north' remain far larger than that among themselves because of the paucity of locally manufactured products and the insufficiency of cooperation and coordination among them. They should start in earnest to coordinate their actions so as gradually to achieve self - sufficiency based on regional cooperation that has come up more broadly in the name of gulf cooperation council.

CHAPTER V

GULF COOPERATION COUNCIL - IN SEARCH OF A ROLE

Oil has always had an impact on world trade & money. Its greatest impact as a source of money, however, is most largely felt at home in the oil producing countries themselves, because of their multipolar power system which contains strong elements of heterogeneity.⁶¹ Oil provided these countries with the basic means of living and development. The big strides in economic development accomplished by the GCC's countries so far have been remarkable by any standard. Thus oil has become for these countries what agriculture and industry is for others. Fluctuations in oil's demand and prices will have a serious effect on the pace of development in the oil exporting countries. Perhaps at no other time will their need be greater for using the surpluses which have accumulated in the past. But unfortunately in the process of this utilization they find that the present worth of these surpluses is far less than what it was at the time of their accumulation

61. Raymond Aron defined Heterogeneity in International system as follows:those systems in which the States are organised according to different principles and appeal to different contradictory values. It can also be added that heterogeneity of a system can also be created by the permanency and institutionalization of conflicts in it. What is also apparent is that the system strangely resists outside pressure towards change' quoted in the Middle East Nations in super powers and wars by Yair Evron, pub. Groom and Helm, London, p.203.

and less still than the oil underground.

The Arab world today is at a turning point of its history. The events of the next five to ten years are likely to determine the character & substance of the area for a number of decades.

There are five initial issues to be settled:

- a) Arab oil producing states have a very limited period of time to transfer their oil revenues into human & physical capital that can replace oil and provide renewable sources of income & export proceeds.
- b) A persistent deterioration in the position of the Arab world regarding food security.
- c) Industrialization is the single most important alternative for growth & development in the region & no single Arab is capable of industrialization independent of the other Arab economies.
- d) A widening gap between the rich & the poor within each state & between states.
- e) Israel has grown to an insufficient economic size, where massive foreign capital inflows are showing themselves in higher prices and not higher out put.

To survive with a minimal margin of Zionist independence, it has to expand its production boundaries either militarily.(The West Bank model) and/or through peace (The Egyptian model).

The future political & economic map of the Arab world will reflect the manner in which the Arabs face these challenges. My intention is to try to explain the facts by first bringing into sharp focus the trends in world oil trade as well as trade in other goods, and examine in some detail their effects on oil producing

countries particularly of OEC's.

In 1963, oil's share in world trade did not exceed 6.9 percent. It more or less maintained the same share for the next ten years i.e. until 1972. Although the total value of oil exports increased \$9.3 billion in 1963 to \$ 25.0 billion in 1972, this increase which exceeded 168 percent reflected the rise in volume of those exports and not a rise in their price, since oil prices had more or less remained unchanged in money terms. If the decline in real prices that affected those exports were to be taken into account, the total increase would have amounted to 215 percent.

Over the period under consideration the share of industrialized countries in world exports increased from 77.2 percent in 1963 to 80.3 percent in 1972, whereas that of the developing countries declined from 15.9 percent to 13.0 percent, the year 1974 represented a turning point in world trade flows. Due to the rise in oil prices in that year, the share of oil in world trade about doubled with an increase to 15.3 percent (from 6.7 percent in 1973). The total value of oil exports went up from \$ 25 billion in 1972 to about \$ 133 billion in 1974, concurrently the share of developing nations went up 20.1 percent and both increases were made at the expense of the industrialized countries whose share declined to 64.6%

Never the less, the absolute value of their exports increased by 65 percent from ^{\$}302 billion in 1972 to \$ 500 billion in 1974. This trend, however, was temporary because at a later date specifically in 1976, the share of oil exporting countries declined to 11.9 percent & that of the developing countries was brought down to 13.6 percent. Where as the industrialized countries enjoyed a rise upto 74.5 percent.⁶²

The pattern of share distribution in 1980, although slightly in favour of the oil exporting countries due to the increases in the price of oil is in general much similar to that which prevailed in 1976, with the share of industrialized countries close to 70% and those of the oil exporters and other developing nations standing at 15.7% and 14.3% respectively.

These figures show that the share of oil exporting countries, which doubled in 1974, had none the less gone down to 12% in 1978. Its subsequent rise to 15.9% in 1980 was not remarkable as it was almost equivalent to the previous peak reached in 1974.

Forecasts indicate that this share which have reached on all time high in 1980 is on decline in the eighties as real prices of oil and its export volumes are expected to fall. The figures also show that over

62. See Geo-politics of energy by Melvin A. Conant and Fern R. Gold (U.S. senate, committee on interior and insular affairs, Jan., 1977 U.S.A. p-12

the past 20 years world trade in other goods has steadily grown and that oil exports have not presented any serious threat to its growth but have rather helped it. The new income derived from oil exports created a big import market in OPEC countries for the goods of industrialized countries as well as those of the developing nations. In fact the value of OPEC imports of physical goods increased from \$ 33 billion in 1974 to \$ 136 billion in 1980, a rise of 312 percent. If in visibles and arms are included in those imports, the rise would be much greater. Over the period 1974 - 80, the value of OPEC oil exports had increased by 150 percent i.e. from \$ 115 billion in 1974 to \$ 288 billion in 1980, showing an apparent surplus in comparison with oil rich countries & imports. The average annual % rate of growth of OPEC exports during that period amounted to 18.2 percent, where as that of OPEC imports reached 28.5 percent, should both rates be simultaneously extra-polated into the future, the apparent trade gap will gradually narrow down until the surplus is entirely eliminated in mid 1986. In the event that the total value of OPEC exports should stagnate at the level prevailing in 1980-81 due to the fall in world demand for oil, the apparent surplus will disappear by the end of 1983-84. If invisible imports

and arms purchases are taken into account then it is not unlikely that these countries have much more tough time in near future with some exception of Arab rich countries.⁶³

Not only this looking at the Arab gulf, the united states can see nothing but a shadow of a Soviet threat. When other power groupings look at this area, they too can only see the reflections of their own antagonisms. Where in all their are the people of the gulf, their ambitions & their goals, no-body seems to care.

The Iranian revolution has proved that the security of an area full of riches such as the gulf, arises basically from the situation at home - stable internal affairs help achieve security of the whole area and vice-versa.

In todays' complicated world, there is not one single country free from international interventions. such interference of one country in anothers affairs is no longer controversial, unless it takes the shape of

63. From the original text of the paper presented by Shaikh Ahmad Zaki Yamani, Saudi Minister of Petroleum and Mineral Resources at a conference on the theme of "oil & money in the eighties" held in London on 28 - 29 Sept., 1983 under the joint sponsorship of the international Herald traibune & the oil Daily.

invading armies crossing other countries' borders without their consent. Otherwise world opinion variously ignores covert aspects of interference. These prevailing facts are clearly noticeable in the gulf area & have shaken the entire gulf today for its political stability and economic independence.

The core of this issue is then the problems of the gulf people in the oil rich gulf states, their future & their aims.

As for the Arabs, they are divided into local & incoming Arabs. The latter might stay for 10 or 20 years with no economic or political right, which deeply worries them. Local Arabs are also divided into 1st & 2nd class. In some countries discrimination between local Arabs is based on the Area in which they live. In Saudi Arabia, for example we find that the Najds are considered the basis local Arabs, followed by those in Hijaz, and lastly those from the eastern area then Najran & Assear. The discrimination is no fiction, but a tangible truth which could cause social disturbance in the future. In some of the smaller gulf states, the economic development has imposed the need to import a large body of non-Arab labours. Their presence according to statistics published in it self has raised many questions among the people, especially the size of the work force

present from the south east Asia. Local reports hint & frequently suggest that it is not unlikely that these workers will be used some time, if necessary urges the occupation of the oil regions.⁶⁴ This point may be too pessimistic but they have got reason to believe in it. In some of the smaller gulf states over 80% of the army officials who are expected to defend these societies are employees & foreigners.

These are the numerous, complicated internal element in the gulf area which require long term solutions in order to protect both security & development. Solution lie in establishing stronger relations among the small gulf emirates & their Arab neighbours based on common understanding of the necessity of cooperation on the defensive, political and economic levels. It is impossible to have true security and independence without a true & comprehensive industrial base of their own. And finally this area cannot enjoy stability unless the internal situations have been organized in such a way as to permit regional rule shared by the majority.⁶⁵ It is here in this context the GCC has taken its birth to cope with the practical difficulties and harsh realities which the Arab world is experiencing today, to make the

64. Sunday - Mid - day weekly Bombay 4 Dec., 1983

65. See oil and security in the gulf : An Arab point of view by M. EL Romaini from oil and security in the Arabian gulf Ed., Abdul Majid Farid. pub., Arab research centre, London pp. 134-137.

Arab gulf countries economically viable & militarily & politically defensible their is an sincere understanding that security in the gulf, and specially in its smaller states can only be achieved if the area is left free from foreign interference & foreign military or political presence. And since from the very beginning the concept of collective security is very well alive and extremely discussed by the GCC supreme council so that the oil rich gulf state should be in a position to meet external threats with their own resources, although no mention of defence or security was made in the original constitution, but today their is a strong view that the military forces of the six countries need to be fully integrated in order to defend themselves. On one occasion Tariq Al Moyyad, minister of information of Bahrain spoke that the issue of the gulf security should be the business of gulf countries.⁶⁶

Giving an interview to the reporter of London observer (pub. 15 Feb., London) the U.A.E. Oil minister Dr. Mana-Al-Qaiba stated that his country together with Saudi Arabia, Kuwait, Qatar, Bahrain and Oman will develop a three point strategy which will improve land, sea and Air defence systems, peremeter defence and early warning systems - the group will try to improve the existing systems to a sophisticated level stock-file

66. Hindustan Times, April 25, New Delhi, 1981.

vital equipment spares & place strategic systems underground. Thirdly possible new routes for oil pipe line will also come under discussion in order to bypass the vulnerable sea routes through the strait of Hormaz in the Arab Gulf.⁶⁷

A report published in London by the International Institute of Strategic Studies, shows as in the table below that the Gulf Council members can muster a numerically substantially military force.

Gulf States Military Strength- 1982-83⁶⁸

GCC member countries	Regular Army	Air-force	Navy	Total man-power	Com- bat Air- craft	Total defence expenditure \$
Bahrain	2,300	100	150	2,550	6	135m
Kuwait	10,000	1,900	500	12,400	49	1,300m.
Oman	15,000	2,300	1,000	18,300	37	1,690m.
Qatar	5,000	300	700	6,000	9	893.1m
S. Arabia	35,000	15,000	2,200	52,200	128	24,400m.
U.A.E.	46,000	1,500	1,000	48,500	52	29,400m.
Total GCC	113,300	21,100	5,550	139,950	281	58,327.1m.

Paramilitary Forces

Bahrain	- Coastguard	-	180
Kuwait	- Internal Security	-	7,500
Oman	- Tribal Homeguard	-	3,300
S. Arabia	- National Guard, Anti-Terrorist Units, Frontier Force and Coastguard	-	25,000
		-	6,500

See Ref. 67, 68 & 69 on page 76.

The combined military main power of the six states, totalling about 133.000 men is sufficient to suggest that if integrated into a coherent and competent force it could alter the strategic balance of military powers in the middle east.

The six G.C.C. States deploy over 280 combat aircraft, compared with Israels 600 planes, Irans 100 plus and Iraq's 335. The total annual defence expenditure of the six is around \$ 35 bn considerably more than Israels \$ 7 bn with the exception of Saudi Arabia and Oman; the Council States' Navies are largely made up of coastal craft and do not add up a serious ocean going capacity. None of this array of military force includes the various paramilitary units in the various countries. In Saudi Arabia the national guard numbering 25,000 men, is a well equipped and formidable force; Oman Firqat (Homeguard) has 3,300 men, and the U.A.E. coastguard forces with 19 petrol craft is an effective unit. However, these nonregular forces

67. News Letter Gulf-States, 8 March, 1981, London, p.3.

68. Table reproduced from News Letter-Gulf States, 18-31st Oct., 1982, London, p.2. 2-3.

@* By International Institute for Strategic Studies there is no change over the year in the combined forces of the six Gulf Co-operation States. Between them they assemble a substantial array of man power and weaponry. Total G.C.C. arm forces were over 139,000 men, backed up by atleast 274 combat aircraft and some of the world's most advanced and sophisticated missile, ground warfare and electronic system.

are neither designed nor intended for use outside their home territories and do not materially effect the balance of Gulf States.

The survey plainly indicates that the G.C.C. countries together possess a formidable armed ^acapacity which if and when it became fully integrated would be a force to be reckoned with in most crucial circumstances. In such a combination the arguments and debates about super power alignment and intervention would become meaningless and the G.C.C. would not need to rely solely on political and financial strength for the defence and security of the region. And as a matter of fact the third G.C.C. Summit which was held in Bahrain in November, 1982 though discussed provisions regarding the defence co-operation among the member states but, concluded without an agreement on collective security. Following the discovery in Bahrain last December, 1982 of a net work of anti-regime conspirators apparently linked to Iran, the only defence issue on which the agreement was reached by the end of 1982 was to provide funds for Bahrain to buy aircraft and ground to air missiles.

Defence and security is sure to be high on its agenda in near future. Anxiety about the situation arising out of Iranian revolution, taking into account the Iran-Iraq war and the G.C.Cs support to Iraq thereon

it described Iran's crossing of the border into Iraq as "a grave development which represents a danger to the safety of the Arab nations", and a possible threat to G.C.C.'s internal security through the Islamic fundamentalism within the Gulf States themselves, especially amongst their Shi-ite communities.

The G.C.C.'s aim of reducing tension within the Gulf has meanwhile been carried a significant step forward by the successful beginnings of a reconciliation between radical south Yemen and neighbouring Oman, probably the most conservative and certainly the most openly pro-American of the G.C.C. States, under Kuwaiti and U.A.E.s. Foreign Ministers mediation, ended the 15 years of sharp hostility which peaked in the early and mid 1970s with Adams support for popular front revolutionaries, in Oman's Western Dhofar province.⁶⁹

Despite their preoccupations with affairs close to home, Gulf leaders have not been ignoring the wider problems of the middle east. Arabs remain committed to the P.L.O. and Israel is a serious doubt in Arab minds, while Palestinians assessment of the U.S. credibility is even more negative and harmful after the Beirut Massacres and developments followed by. This issue is expected to dominate the forthcoming session of the G.C.Council.

⁶⁹. Middle East Economic Survey, 8 Nov. 1982, Cyprus, pp. C2-3.

It is here that on Oct 16, 1983 the six oil rich Gulf Cooperation Council States formally announced at last the creation of their joint "rapid movement force". In a joint manoeuvre in Abu Dhabi Oct. 83. It would have capabilities for quick deployment in strength any where on their territories in case of an attack. Brigadier Mohammed Saoud-Al-Badi, Chief of the staff of the U.A.E. Armed Forces, which hosted the manoeuvres, said in a declaration that the Gulf states are not building an armed strength against any one but as a deterrent against an attack on their oil rich region. "One of the principles of military strategy is that if you want peace, then be prepared for war".⁷⁰

However, in summing up, one comes to the conclusion that the solution to the problems of the middle east are no less complicated than the difficulties themselves. Simplistic answers are not readily available. Military force by itself, offers no single alternative. None the less, without the clear ability to use such relevant force and the manifest will to do so, it is almost certain that no solution will be discovered, to the threats which hang over the region today. There is also the wave of Islamic fundamentalism unleashed by the Shi-ite Mullah

70. The Times of India, Oct. 17, New Delhi, 1983.

of Iran and there are still those in the west who feel that the Gulf leaders are nearly placating radical Arab States by rejecting economic and military alliance with the west. Apart from the western hypothesis to conclude with the extract of interview of finance and planning minister of Kuwait Mr. Abd-al-Latif-al-Hamid to the reporter of Middle East Economic Survey (Pub. MEES May 1981) on the future prospects of G.C.C., to him, "This is the most constructive moves that has emerged in this region in a long long time, what we want is the monet's approach- bit by bit. Let us talk about steel and coal, thus we talk about agricultural policies. We may in the Gulf can talk about agricultural policies now and way down the time we can talk about our petro-chemicals. Let us shape our thinking together. Twelve years ago I remember we were not even talking terms on with Bahrain, we were almost strangers. Today there is so much rapport. Why is so! Because the psychological barriers have been broken. So if we could break these barriers between Kuwait and Saudi Arabia, the U.A.E., Qatar, Bahrain and Oman which is probably a little more difficult at this stage then we have really achieved something.

But maintenance of the identity of interests does not automatically mean tacit and blanket approval of political attitudes and policies. As Mr. Hamid rightly

said in his interview that the identify came among the member states only by co-incidence and was not planned. The six member countries produce between them, a quarter of the non-communist world's oil. Welded together in a common oil front, the six countries would be the most powerful single group of oil producing countries, including the organisation of petroleum exporting countries. It needs no slide rules to calculate the political strength, the G.C.C. States would enjoy from a unification of oil policy, operating on an integrated basis. And the integration of the G.C.C. states, oil industries is an essential precursor to unification of six states economic military and political policies. Since we believe that the best weapon the Arabs can have is solidarity, in the absence of solidarity all other weapons are meaningless. To say that strength is being drained by Arab divisions is to put the cart before the horse; it is a policy of escapism. They can not buy the concept of oil as a 'Political weapon' in the absence of Arab solidarity and that is coming up with the establishment of the Gulf Co-operation Council.

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